

# **EXHIBIT A**

1 IN THE UNITED STATES DISTRICT COURT

2 FOR THE DISTRICT OF MASSACHUSETTS

3 - - - - - X

4 UNITED STATES OF AMERICA, et :

5 al, :

6 Plaintiffs, : Case No.

7 v. : 1:23-cv-10511-WGY

8 JETBLUE AIRWAYS CORPORATION :

9 AND SPIRIT AIRLINES, INC., X

10 Defendants.

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13 VIDEOTAPED DEPOSITION OF

14 GAUTAM GOWRISANKARAN

15

16 HIGHLY CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER

17

18 Washington, D.C.

19 Friday, September 1, 2023

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1 testimony from JetBlue that says, we're looking more  
2 like a legacy carrier than we used to be.

3 So it definitely has some attributes of a  
4 low cost carrier, but it's looking a little more like  
5 a legacy carrier. For instance, on long routes,  
6 JetBlue has a first class product called Mint. And  
7 you wouldn't expect low cost carriers necessarily to  
8 have first class.

9 Q. Do you agree that JetBlue's differentiated  
10 itself from other low cost carriers by offering not  
11 only low fares, but also high quality service?

12 A. Well, there's two parts to that question.  
13 Whether JetBlue is differentiating itself from other  
14 low cost carriers. And I would say that, in general,  
15 the airline industry is one where products  
16 differentiate themselves, and where different  
17 airlines differentiate themselves.

18 So one of my best friends swears by the  
19 Cheez-Its on JetBlue. And his wife always has him on  
20 a diet, I think. And when he flies JetBlue, he can  
21 eat as many Cheez-Its as he wants. And he loves  
22 JetBlue for that reason. I personally don't like

1 Cheez-Its, but this is how airlines work. Some  
2 people love different airlines for different reasons.  
3 It's a differentiated product.

4 Now, as to whether JetBlue has  
5 differentiated itself by high quality, that's not  
6 something I would agree with. And so, again, what  
7 I've written in my report, and what is true about the  
8 airline industry, is that there are different  
9 dimensions of quality. Some are horizontal. And so  
10 an example of a horizontal differentiation is, do you  
11 have Cheez-Its. And some people like them, some  
12 people don't.

13 There's also vertical differentiation. So  
14 for instance, most of us might like more leg room,  
15 all else equal. But you can't hold that all else  
16 equal there, and the amount that people are willing  
17 to pay for more leg room is going to vary across  
18 people.

19 And so for that reason, I don't think you  
20 can say that JetBlue has differentiated itself by  
21 being higher quality. It certainly does offer a  
22 product that's somewhat differentiated from other

1 low-cost carriers. And all airlines try to  
2 differentiate themselves. This is a classic industry  
3 that, as economists, we model as a differentiated  
4 product industry with heterogenous preferences for  
5 consumers.

6 Q. Would you agree that the JetBlue product  
7 is a higher quality product than the Spirit product?

8 A. Well, again, there's -- it really depends  
9 on what you want. So some aspects of quality --  
10 there's not one definition of quality. And as an  
11 economist, we want to be really precise about this.

12 So some people are going to value some of  
13 the attributes on JetBlue. Other people are not  
14 going to value them. Even within JetBlue, there's a  
15 whole bunch of different products. So Blue Basic is  
16 one of the products on JetBlue. Is that a -- is that  
17 something that people value more than, for instance,  
18 Spirit products?

19 Well, I showed evidence in my reply report  
20 that people who could pick between Blue Basic and  
21 Spirit, about half or a little more than half picked  
22 Spirit over Blue Basic. So they're not thinking that

1 to that.

2 I also talked in my report about the  
3 JetBlue effect, which is about them competing with  
4 all the airlines they compete with.

5 Q. Do you agree that JetBlue's pricing  
6 strategy is to stimulate demand by offering lower  
7 fares, like other low cost carriers, but JetBlue also  
8 offers superior service to many airlines, including  
9 legacy airlines?

10 A. Well, that's a really broad statement.  
11 And I think I would have to disagree with both parts  
12 of it. So the first part is that, I think you said,  
13 like, JetBlue offers lower fares than legacy  
14 airlines. Well, it's going to depend on exactly the  
15 route. And, you know, and the particular route and  
16 the characteristics and the day.

17 So I showed one example, and this is from  
18 my reply report, from section 6 of my reply report,  
19 where the offered fares on JetBlue were similar to  
20 legacy carriers on the same route. There are other  
21 examples where JetBlue's going to have lower prices  
22 than legacy carriers, but at least in this example,

1 in many of the routes, the majority of them, the  
2 offered prices from JetBlue were similar to legacy  
3 carriers.

4 I think the second part of your question  
5 was whether JetBlue offered lower prices, but higher  
6 quality. And I don't remember exactly higher quality  
7 than whom. But again, as an economist looking at  
8 this market, at this product that's very  
9 differentiated, which is air travel, we can't think  
10 about like JetBlue offering higher quality. Like,  
11 some people are going to value the JetBlue amenities.  
12 You know, there's my friend, my college roommate who  
13 loves Cheez-Its. He thinks JetBlue is awesome  
14 because he gets as many bags of Cheez-Its as he  
15 wants.

16 Other people, they may not like JetBlue,  
17 right? And so I think it really depends on the  
18 person, the particular flight, the experience. All  
19 of those are going to factor into what a given  
20 customer is willing to pay for JetBlue.

21 Q. Do you agree that JetBlue is uniquely  
22 disruptive?

1           A.       Well, so disruptive is -- or maverick or  
2   words like that. In economics, we think of these as  
3   not like a fixed characteristic of firms, but as  
4   related to the incentives that the firms have.

5                   And so I think that JetBlue -- there is a  
6   JetBlue effect. I document this. When JetBlue  
7   enters on markets, prices go down. They don't go  
8   down as much as when Spirit enters on markets, plane  
9   for plane. JetBlue enters with a lot more frequency  
10  than JetBlue -- 2.7 flights per day on average versus  
11  Spirit's 1.7 flights per day. But JetBlue, when it  
12  enters on markets, we see that the market average  
13  prices do drop. And there's something about that.

14                  Now, what I also showed in my reply report  
15  is that JetBlue's effect on market prices is not as  
16  strong as it used to be. And so if Dr. Hill went  
17  back and took data going back to 2012, and looked at  
18  JetBlue entry events. And what I showed is that  
19  JetBlue's impact on prices is lower in the three  
20  years before the pandemic than it was in the earlier  
21  part of the last decade.

22                  And I think what's happened over time, and



1 this is substantiated by documentary evidence from  
2 JetBlue that I testified to earlier, is that JetBlue  
3 is looking more like a legacy carrier. And so it has  
4 had less of a disruptive influence, and less of an  
5 influence on lowering prices than it used to a decade  
6 ago.

7 Q. So you would not agree that JetBlue's high  
8 quality service allows it to compete effectively  
9 against legacy airlines in ways that other LCCs and  
10 ULCCs cannot?

11 A. So again, like, that's such a broad  
12 statement. Like, I have a friend that loves Alaska,  
13 which is counted as an LCC. And he swears Alaska  
14 more than other airlines. I was on a JetBlue flight  
15 last year, and it was five hours late, and there was  
16 pandemonium at National Airport. No one at JetBlue  
17 seemed to know where everything was going with this.

18 And that didn't make me feel like JetBlue  
19 is a high quality product, just that one experience.  
20 And I'm not trying to disrespect JetBlue or the many  
21 fine people that work there. But I'm just saying,  
22 different customers have different experiences about

1 it.

2 Is JetBlue some higher quality for  
3 everybody? Well, that's not what the record  
4 indicates at all. Are there people that like  
5 JetBlue? Yes. Is JetBlue when it enters on markets,  
6 does it succeed in lowering market prices? Yes, it  
7 does. Not as much as it used to a decade ago, but it  
8 still seems to have an impact on lowering market  
9 prices. Does JetBlue compete with the legacy  
10 carriers? Absolutely. JetBlue competes with all the  
11 other airlines. It's a big airline in New York City  
12 where I live.

13 So I hope that answers your question.  
14 But, you know, as an economist, again, I want to be  
15 precise about it. And we can't just talk about  
16 quality without thinking, what do we mean? Like, is  
17 it uniform across people? Is it horizontal  
18 differentiation? Is it vertical differentiation, and  
19 so on. And I get that economics is precise, but it's  
20 precise because that's what allows us to identify  
21 competitive effects and harms and such in those  
22 matters.